

Michael O. Leavitt Governor Kathleen Clarke Executive Director Lowell P. Braxton Division Director 1594 West North Temple, Suite 1210 PO Box 145801 Salt Lake City, Utah 84114-5801 801-538-5340 801-359-3940 (Fax) 801-538-7223 (TDD)

June 5, 2001

CERTIFIED RETURN RECEIPT 7000 0520 0021 7582 9248

Lee Jenkins
Environmental Coordinator
American Gilsonite Company
Bonanza Operations
HC 73 Box 28
Vernal, Utah 84078-9284

Re:

Review of April 2001 Reclamation Cost Estimate Comments, American Gilsonite Company (AGC), Bonanza Operations, M/047/010 (ML-851), Uintah County, Utah

Dear Mr. Jenkins:

Thank you for your review comments received April 13, 2001, regarding the Division's reclamation cost estimate prepared February 2001. The previous Division estimate has been revised to reflect the information provided by AGC. The revised estimate and mine site summary are attached for your review. The amount of reclamation surety currently estimated for the AGC operations is \$514,000 in terms of year 2006 dollars. Comments describing the relevant changes are included below.

Please review these items and provide comments accepting or correcting this revised information within 45 days of your receipt of this letter. After the surety amount is agreed upon, the next step will be to revise the amount of reclamation surety and update the reclamation contract. A blank copy of the current Reclamation Contract (Form MR-RC) and a copy of the existing AGC Reclamation Contract are enclosed for your use. Please contact our office to acquire the current surety forms before adjusting the current form of surety.

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RECLAMATION ESTIMATE COMMENTS

The April 2001 response from AGC provided a copy of the \$120,000 bond posted with the BLM for federal gilsonite leases. The Division understands this is a state wide bond posted for the rental, royalty and reclamation obligations associated with all these gilsonite leases; however, no specific bond amount is identified as being assigned for reclamation obligations of a particular lease. The Division is requesting that individual amounts be specifically identified, out of this \$120,000 bond, for reclamation obligations at the six existing sites and the two proposed sites on federal lands. This information may be provided by the BLM or AGC in the immediate future.

SITLA sites I-30 and E-31 are included in the Division summary listing of AGC sites; however, reclamation costs for these sites were not included in the Division's estimate. This in effect, recognizes the surety amounts posted with SITLA for these sites.

AGC wishes to remove the two proposed sites WH-3 and WH-7 from the current bond calculation, but retain these sites within the current large mine permit. The Division can omit these sites from the reclamation calculation and retain them as being within the permit area. AGC does not have Division approval to begin work on either of these sites until a reclamation surety is posted, or until specific amounts of an existing bond are identified for reclamation of these sites.

In general, items that have been modified from the previous Division estimate are highlighted by shading in the revised estimate.

The Division has modified the reclamation cost estimate to reflect the changes in unit costs proposed by the April AGC response. These changes included using the price quote from George T. Weldon as the basis for a majority of the reclamation tasks. A number of changes in unit costs were found in the April AGC response that were not highlighted to indicate acceptance of DOGM costs or a change in contractor rates. These items are shaded to note the changes.

The April AGC response included errors in the line items for two dozers and two dozer operators under the operational facilities section of the estimate. The error was using costs for one dozer and one operator instead of two.

The April AGC response included a number of items under the Operational Facilities Section of the estimate that used 10-hour days in the calculations. The Division's revised estimate includes adjustments to the number of days to closely

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match the total number of hours used in the AGC estimate. The task and number of units for these line items are shown in bold.

For consistency, the same price quote for a piece of equipment or operator was used in all calculation sections, as was the daily work schedule and rate.

If you have any questions regarding this letter, please contact me at (801) 538-5286, or Tony Gallegos at (801) 538-5267. Thank you for your continued cooperation.

Sincerely,

D. Wayne Hedberg Permit Supervisor

Minerals Reclamation Program

jb

Attachments: Revised Cost Estimate 5/22/01, Summary of Mine Sites & Acreages

Enclosures: AGC Reclamation Contract, blank Reclamation Contract

cc.

Will Stokes, SITLA

Stan Perkes, BLM State Office O:\REVIEW\M47-10-5yrbond-may.doc

M/047/010 last revision May 21 2001 AMERICAN GILSONITE COMPANY filename: M47-10AC.WB2 Prepared by Utah Division of Oil, Gas & Mining page name: summary2 mine bond site acreage **DOGM NOTES 5/21/2001** other agency site held by property acreage code >typical bond amount patented E-14 1.0 DOGM me mine + equip E-15 patented DOGM mine + equip 1.0 me E23 changed to E-30W;active escapeway E-30W patented 0.5 DOGM ee DOGM E-27 patented 1.0 me new site - 5/5/00 information patented E-28 0.5 DOGM escapeway + equip, active ee E-29 patented 1.0 DOGM me mine + equip E-30 patented 1.0 **DOGM** me mine + equip, ponds? SITLA SITLA E-31 0.5 \$5,000 SITLA ene escapeway, no equip., development 1994 patented DOGM mine + equip, no hoist 1-9 1.0 mpe patented 1.0 **I-10** DOGM mpe mine + equip, no derrick, no bin SITLA 1.4 SITLA 0.4 \$5,000 SITLA new mine + equip., proposed 4/24/00 **I-12** me I-15 patented 1.0 DOGM mine + only compressor + bldg mpe **I-16** 1.0 DOGM patented mpe mine + equip, no bin mine + only 2 bldgs **I-18** patented 1.0 DOGM mpe 1-24 1.0 DOGM mine + equip patented me 1-30 BLM-exch 1.0 BLM-ex mpe BLM -\$-??? mine + equip, no hoist, no derrick B-12 patented 0.5 DOGM ee escape + equip 777 B-14 0.5 DOGM ms pre-law reimpacted: need shaft cap patented DOGM B-16 1.0 me mine + equip B-38 FEE 1.0 DOGM mine + equip me B-40 FEE 1.0 DOGM mne mine, no equip FEE **B-42** 1.0 DOGM mine + equip me BLM B-44 1.0 BLM BLM -\$-??? mine + equip, no hoist mpe WH-3 BLM BLM 2.1 1.1 BLM -\$-??? proposed 2/98;blasting reclamation me WH-7 BLM 2.0 BLM me 1.0 BLM -\$-??? proposed 2/98;blasting reclamation WH-11 BLM 0.0 RLM DOGM RELEASED 1.0 12/8/98; NEED BLM RELEASE RR WH-12 BLM 1.0 BLM BLM -\$-??? mne mine, no equip WH-17 FEE DOGM 1.0 mpe mine + equip, no hoist, no derrick 1F.3 FEE 0.0 DOGM RR released 1.0 6/15/88 DOGM DOGM released during 5/24/00 site inspection 1F-4 FEE 1.0 RR LE-5 **BLM** 1.0 BLM BLM -\$-??? mine + equip me BLM LE-6 1.0 BLM me BLM -\$-??? mine + equip 0.5 BLM BLM LE-7 ene BLM -\$-??? escapeway, no equip. DOGM LE-10 FEE 1.0 mine + equip; pre-law site reactivated me LE-16 patented 1.0 DOGM mν seeding only LE-17 patented 00 0 LE-17; old site reopened as part of LE-19? patented LE-18 0.0 0 7 LE-18; old site reopened as part of LE-19? LE-19 patented 1.0 DOGM ms 3 acre site, 2.5 released 5/24/00, need cap & seeding on 0.5 1.0 DOGM LE-20 patented mv need seeding patented RELEASED 1.0 12/8/98 PW-4 0.0 DOGM RR RELEASED 1.0 12/8/98 0.0 RELEASED 1.0 12/8/98 H-2 FEE 1.0 DOGM me mine + equip H-10 patented 1.0 DOGM mine + equip, no hoist, no derrick mpe ŔŔ 1.0 DOGM released during 5/24/00 site inspection **R-2** patented 1.0 DOGM ms needs cap DOGM 1.0 UBET use leased to UBET; DOGM released during 5/24/00 inspection R-3 patented R-4 patented 1.0 DOGM needs 2 small concrete caps 5/5/00 ms 48 total sites 40.54 acres 2.5 acreage in excess of typical 1.0 or 0.5 acre site count SITE CODE COUNT SITE DESCRIPTION typical 1.0 acre mine site with complete set of structures and equipment 16 me 9 typical 1.0 acre mine site with partial set of structures and equipment mpe mne 2 typical 1.0 acre mine site with no structures or equipment (requires shaft cap & revegetation) typical 1.0 acre mine site which has been reclaimed but requires a cap over the shaft only ms 4 2 typical 1.0 acre mine site which requires revegetation only mv 3 typical 0.5 acre escapeway with equpment ee ene 2 typical 0.5 acre escapeway without equpment RR 8 site has been reclaimed and released 46 check total count against total sites 2 sites not given a site code

SUMMARY OF MINE SITES & ACREAGE

RECLAMATION ESTIMATE REVISION

American Gilsonite Company (ACC) Bonanza Gilsonite Operations M/047/010

page 1 of 6 **Uintah County**

filer=me m47-10-5yr-2.wb3

ne "per_site"

last revision

22-May-2001

Prepared by Utah State Division of Oil, Gas & Mining

Reclamation Details

- -Work quantities & units in this estimate are from AGC's reformatted mine permit received Aug. 11, 1992.
- -Unit costs are from the Rental Rate Blue Book, Means 2000 Heavy Construction Cost Data & local price guotes.
- -Numbers of mine sites & acreages in this estimate are from the Division's site summary revised May 21, 2001.
- -Unit costs for daily tasks were calculated using the hourly rates and an 8-hour day.
- -The May 21, 2001 Division summary lists 38 active sites affecting approximately 37.5 acres.
- This estimate uses costs for reclaiming a typical 1.0 acre fully equipped gilsonite mine & typical 0.5 acre escapeway site.
- No post-mining use of structures was assumed, reclamation involves total removal/demolition of all structures.
- -Site I-30 was exchanged to BLM; was SITLA ML31934 with \$10,000 bond approximately ½ amount for reclamation.
- -E-31 is an escapeway on SITLA site ML-31999 with \$5,000 bond, approximately 1/2 amount for reclamation.
- -AGC has a \$120,000 bond posted with BLM for federal leases, but reclamation amounts for specific sites are not identified.
- -BLM active sites: I-30, B-44, WH-12, LE-5, LE-6, LE-7; proposed sites on BLM land WH-3 & WH-7.
- -Proposed sites WH-3 & WH-7 to be reclaimed by blasting the vein closed; AGC reclamation cost estimate of \$70,000.

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- -BLM: 4 fully equipped mine sites, 2 partially equipped mines, 1 unequipped mine, 1 unequipped escapeway.
- -BLM sites: (2 x 1.0 acre) + 2.1 acre + 2.0 acre + (2 x 1.0 acre) + 1.0 acre + 0.5 acre = 9.6 acres.
- -Items which are shaded indicate changes since last version or item of significance.
- -SITLA sites: 1 unequipped escapeway E-31 (0.5 acre), 1 fully equipped site I-12 (1.4 acre); total = 1.9 acres.

-Disturbed acreage for DOGM bond = mine sites 37.5 acres, roads 43 acres, facilities 31.2 acres = 111.7 acres

<u>Description</u>	Quantity	<u>Units</u>	<u>\$/Unit</u>	<u>Cost(\$)</u>	<u>note</u>
Reclamation Per Typical Gilsonite Mine Site					
Dismantling - crane - AGC unit costs	4	hr	105.00	420	(1)
Dismantling - crane operator - AGC unit costs	4	hr	22.00	88	(2)
Dismantling - laborers	16	hr	18.00	288	(3)
Dismantling - dozer	4	hr	104.00	416	(4)
Dismantling - dozer operator	4	hr	21.00	84	(5)
subtotal demolition of structures		\$1,296	1		
Shaft capping - laborer	16	hr	18.00	288	(3)
Shaft capping - supplies, materials	1	ea	800.00	800	(6)
subtotal shaft capping		\$1,088			
Regrading - dozer	4	hr	104.00	416	(4)
Regrading - dozer operator	4	hr	21:00	84	(5)
subtotal site regrading & earthwork		\$500)		
Revegetation mtls:composted manure + seed	1	acre	260.00	260	(7)
Revegetation - apply compost	. 1	acre	70.00	70	(8)
Revegetation - apply seed with tractor & seed drill	2	hr	40.00	80	(9)
Revegetation - tractor operator - AGC unit costs	2	hr	21.00	42	(3)
subtotal revegetation treatments		\$452	}		
Subtotal per mine site (rounded)				\$3,336	-

	All Sites	DOGM#	\$/site	\$ DOGM bond
typical mine sites	16	11	3,336	36,696
mine sites + partial equip	9	7	3,012	21,084
mine sites + no equip	2	1	2,040	2,040
mine sites cap shaft only	4	4	1,540	6,160
mine sites revegetation only	2	2	452	904
escapeway + equip	3	3	1,668	5,004
escapeway + no equip	2	0	1,020	0
acreage in excess of typical 1.0 or 0.5	2	2.6 0.0	952	0
WH-3 & WH-7 sites - blasting vein closed	2	0	35,000	0
SUBTOTAL - ALL MINE SITES	38	28	· · · · · · · · · · · · · · · · · · ·	\$71,888

average cost per site =

\$2,567

page 2 of 6 page name "per_site" Uintah County last revision 22-May-2001	changes to unit costs here ripple through other sheets AGC: J&C Enterprises, Inc. 35 T hydraulic truck mounted crane, Jan. 2000 AGC: J&C Enterprises, Inc. foreman~operator, Jan. 2000 AGC: George T. Weldon, Inc., Jan Dec. 2000, D-8 dozer w/2 shank ripper AGC: George T. Weldon, Inc., Jan Dec. 2000, operator, \$21/00/hr	AGC: George T. Weldon, Inc., Jan Dec. 2000, laborer \$18.00/hr Adjusted \$600-1992 to year 2001 using escalation & rounded AGC: George T. Weldon, Inc., Jan Dec. 2000, D-8 dozer w/2 shank ripper AGC: George T. Weldon, Inc., Jan Dec. 2000, operator, \$21/00/hr	Division estimate; \$180/acre seed @ 15 lb/acre,\$80/acre compost for 5 ton/acre @\$16/ton Division estimate; \$70/acre for 5 ton/acre @ \$14/ton spreading AGC: George T. Weldon, Inc., Jan Dec. 2000, 4-WD 65hp farm tractor + 8 ft seed drill AGC: George T. Weldon, Inc., Jan Dec. 2000, operator, \$21/00/hr
RECLAMATION ESTIMATE REVISION American Gilsonite Company (AGC) page 2 o Bonanza Gilsonite Operations M/047/010 Prepared by Utah State Division of Oil. Gas & Mining	(1) note (2) A (3) A (4) (5) (5)	(3) (6) (4) (5)	(7) (8) (9) (9)

RECLAMATION ESTIMATE REVISION

American Gilsonite Compar, AGC) page 3 of 6 Bonanza Gilsonite Operations Uintah County

last revision

filename m47-10-5yr-2.wb3

page name "facilities"

22-May-2001

M/047/010

Prepared by Utah State Division of Oil, Gas & Mining
-Number of days increased to match AGC estimate 10-hr/day items (shown in bold).

OPERATIONAL FACILITIES	<u>\$/Unit</u>	<u>units</u>	<u># Units</u>	<u>Cost(\$)</u>	<u>note</u>
Ten laborers	1,440	\$/day	52	74,880	(3)
Two dozers	1,664	\$/day	26	43,264	(4)
Two dozer operators	336	\$/day	26	8,736	(5)
One crane	840	\$/day	42	35,280	(1)
One crane operator	176	\$/day	42	7,392	(2)
Tractor trailers	10,560	\$/month	2	21,120	(10)
Tractor trailer operators	160	\$/day	42	6,720	(2)
One FE loader	680	\$/day	52	35,360	(11)
One FE loader operator	168	\$/day	52	8,736	(2)
Composted manure & seed	260	\$/acre	24.6	6,396	(7)
Applying compost	70	\$/acre	24.6	1,722	(8)
One farm tractor & seed drill	320	\$/day	2	640	(9)
One tractor operator	168	\$/day	2	336	(2)
Subtotal operational facilities				\$250,582	
ROADS					
Motor grader	440	\$/day	4	1,760	(12)
Motor grader operator	0.000	\$/day	4	672	(13)
Composted manure & seed		\$/acre	43	11,180	(7)
Applying compost) \$/acre	43	3,010	(8)
One farm tractor & seed drill	1,100000000	\$/day	2	640	(9)
One tractor operator	168	\$/day	2	336	_ (2)
Subtotal roads				\$17,598	
STORAGE PONDS, PADS, RESER	NOIRS				
One dozer	832	\$/day	7	5,824	(4)
One dozer operator	168	\$/day	7	1,176	٠,
Composted manure & seed	260) \$/acre	4.3	1,118	` '
Applying compost) \$/acre	4.3	301	(8)
One farm tractor & seed drill	320	\$/day	2	640	\ - <i>/</i>
One tractor operator	168	\$/day	2	336	_ ` ′
Subtotal ponds, pads reservoirs	•		-	\$9,395	

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page 4 of 6 page name "facilities" runty last revision 22-May-2001 . & Mining	George T. Weldon, Inc., Jan Dec. 2000, laborer \$18.00/hr, 10-hr/day. George T. Weldon, Inc., Jan Dec. 2000, D-8 w/ripper, \$104/hr, 10-hr-day, \$1040/day,ea X.2 dozers. George T. Weldon, Inc., Jan Dec. 2000, operator, \$21/hr, 10-hr-day, \$1040/day,ea X.2 dozers. J&C Enterprises, Inc. 35 T hydraulic truck mounted crane, Jan. 2000, \$105/hr, 8 hr/day J&C Enterprises, Inc. foreman~operator, Jan. 2000, \$22/hr, 8hr/day J&C Enterprises, Inc. foreman~operator, Jan. 2000, \$22/hr, 8hr/day George T. Weldon, Inc., Jan Dec. 2000, semi tractor w/lowboy, \$60/hr, \$160/day George T. Weldon, Inc., Jan Dec. 2000, pperator, \$21/hr, \$168/81616/day George T. Weldon, Inc., Jan Dec. 2000, operator, \$21/hr, \$168/81616/day George T. Weldon, Inc., Jan Dec. 2000, operator, \$21/hr, \$168/81616/day George T. Weldon, Inc., Jan Dec. 2000, operator, \$21/hr, \$168/81616/day George T. Weldon, Inc., Jan Dec. 2000, 4-WD 65hp farm tractor \$30/hr + \$10/hr for 8 ft John Deere seed drill, 8 George T. Weldon, Inc., Jan Dec. 2000, 4-WD 65hp farm tractor \$30/hr + \$10/hr for 8 ft John Deere seed drill, 8	George T. Weldon, Inc., Jan Dec. 2000, Cat 140-G motor grader, \$55/hr, \$440/8-hr-day George T. Weldon, Inc., Jan Dec. 2000, Operator, \$21/hr, \$168/8-hr-day George T. Weldon, Inc., Jan Dec. 2000, operator, \$21/hr, \$168/8-hr-day Division estimate; \$180/acre seed @ 15 lb/acre, \$80/acre compost for 5 ton/acre @ \$16/ton Adjusted \$56/acre-1992 to year 2001 using escalation George T. Weldon, Inc., Jan Dec. 2000, 4-WD 65hp farm tractor \$30/hr+ \$10/hr for 8-ft John Deere seed drill, 8 George T. Weldon, Inc., Jan Dec. 2000, operator, \$21/hr, 8 hr/day. \$168/day	George T. Weldon, Inc., Jan Dec. 2000, D-8 w/ripper, \$104/hr.\$862/8-br-day George T. Weldon, Inc., Jan Dec. 2000, operator, \$21/hr, \$168/8-hr-day Division estimate; \$180/acre seed @ 15 lb/acre, \$80/acre compost for 5 ton/acre @ \$16/ton Adjusted \$56/acre-1992 to year 2001 using escalation George T. Weldon, Ihc., Jan Dec. 2000, 4-WD 65hp farm tractor \$30/hr #\$10/hr for 8-ff John Deere seed drill, 8 George T. Weldon, Inc., Jan Dec. 2000, operator, \$21/hr, 8 hr/day, \$168/day
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RECLAMATION ESTIMATE REVISION American Gilsonite Company (AGC) page 4 of Bonanza Gilsonite Operations Uintah County M/047/010 Prepared by Utah State Division of Oil, Gas & Mining	100 (3) (4) (3) (4) (5) (4) (5) (4) (6) (6) (6) (6) (6) (6) (6) (6) (6) (6		(4) (5) (7) (8) (9) (9) (2)

RECLAMATION ESTIMATE REVISION

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Bonanza Gilsonite Operations

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M/047/010

Uintah County

Prepared by Utah State Division of Oil, Gas & Mining

RESIDENTIAL AREA	\$/Unit		# Units	Cost(\$)	<u>note</u>
One dozer	832.00. \$/day		5	4,160	(4)
One dozer operator	168.00		5	840	(5)
One FE loader	680.00		5	3,400	(12)
One FE loader operator	468.00		5	840	(13)
One tractor trailer	480,00		2	960	(10)
One tractor trailer operator	160 00		2	320	(11)
Ten laborers	1,440.00	*	12	17,280	(3)
Composted manure & seed	260.00	•	2.3	598	(7)
Applying compost		\$/acre	2.3	161	(8)
One farm tractor & seed drill	320.00		1	320	(9)
One farm tractor operator	168.00	\$/day _	1	168	(3)
Subtotal residential area				\$29,047	•
				22272	
RECLAMATION SUMMARY		acreage		COSTS	
MINE SITES - DOGM bonding only		37.50		\$71,888	
OPERATIONAL FACILITIES		24.60		\$250,582	
ROADS		43.00		\$17,598	
STORAGE PONDS, PADS & RESER	RVOIRS	4.30		\$9,395	
RESIDENTIAL AREA		2.30		\$29,047	
	total acreage	111.70			
PROJECT SUPERVISION	8.5	weeks	\$1,930	\$16,405	(16)
MOBILIZATION (6 equipment)		each	\$1,000	\$6,000	(17)
	SUBTOTA	Ĺ		\$400,915	
	+ 10% CO	NTINGENC	Y	\$40,092	
	SUBTOTA	L 2001-\$		\$441,007	
	+ 5 yr ESC	ALATION	(3.12%)	\$73,226	
	TOTAL			\$514,232	
	ROUNDED	TOTAL IN	1 2006-\$	\$514,000	
Average cost per acre =	4,602	\$/acre			

RECLAMATION ESTIMATE REVISION American Gilsonite Company (AGC) Bonanza Gilsonite Company (AGC) Bonanza Gilsonite Company (AGC) Bonanza Gilsonite Company (AGC) Bonanza Gilsonite Company (AGC) Unitah Country Prepared by Utah State Division of Oil, Gas & Mining Pergared by Utah State Division of Oil, Gas & Mining Pergared by Utah State Division of Oil, Gas & Mining Berger Weldon, Inc., Jan., Dec. 2000, Desirotor, \$24(in 1888 under 1888) (12) Cerciff Weldon, Inc., Jan., Dec. 2000, Inc., Schir, 1888 under
